

INDEPENDENT AUDITORS' REPORT

To the Chairman and Members of the Board of Directors of
Banco del Estado de Chile

We have audited the accompanying consolidated balance sheet of Banco del Estado de Chile and its subsidiaries as of December 31, 2006 and the related consolidated statements of income and of cash flows for the years then ended. These financial statements (including the related notes) are the responsibility of the management of Banco del Estado de Chile. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of the Banco del Estado de Chile and its subsidiaries for the year ended December 31, 2005, were audited by other auditors who expressed an unqualified opinion in their report dated January 27, 2006.

We conducted our audit in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management of the Bank, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, this consolidated financial statements present fairly, in all material respects, the financial position of Banco del Estado de Chile and its subsidiaries at December 31, 2006 and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Chile and the rules of the Superintendencia de Bancos e Instituciones Financieras.

As explained further in Note 2 to the consolidated financial statements, during 2006, the Bank and its subsidiaries modified its basis for classification and valuation of financial instruments acquired for trading or investment and derivative instruments.

Our audits also comprehended the translation of Chilean pesos amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. The translation of the financial statements amounts into US dollars and the translation of the financial statements into English have been made solely for the convenience of readers outside Chile.

January 24, 2007

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Consolidated Balance Sheets
As of December 31, 2006 and 2005

The accompanying notes 1 to 23 are an integral part of these financial statements.

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Consolidated Balance Sheets As of December 31, 2006 and 2005

ASSETS	2006 US\$ (Millions)	2006 Ch\$ (Millions)	2005 Ch\$ (Millions)
CASH	1,792.1	957,730.7	756,742.2
LOANS:			
Commercial loans	4,776.8	2,552,877.1	2,156,085.5
Foreign trade loans	542.3	289,793.8	260,074.7
Consumer loans	1,391.3	743,571.3	641,788.3
Mortgage loans	3,723.1	1,989,752.7	2,080,260.3
Lease contracts	259.9	138,892.4	126,838.4
Contingent loans	664.1	354,908.7	192,436.4
Other outstanding loans	1,723.4	921,012.9	493,586.6
Past due loans	98.8	52,787.2	42,415.2
Total loans	13,179.7	7,043,596.1	5,993,485.4
Less: Allowance for loan losses	(218.5)	(116,801.9)	(99,608.6)
Total loans, net	12,961.2	6,926,794.2	5,893,876.8
OTHER LOANS:			
Interbank loans	83.2	44,436.2	99,906.8
Investments purchased under agreements to resell	85.5	45,699.1	107,553.2
Total other loans operations	168.7	90,135.3	207,460.0
INSTRUMENTS HELD FOR TRADING	505.5	270,147.8	1,636,463.6
INVESTMENT INSTRUMENTS:			
Available for sale	4,601.3	2,459,081.8	848,440.4
Held to maturity	363.3	194,172.3	1,009,005.8
Total investment instruments	4,964.6	2,653,254.1	1,857,446.2
FINANCIAL DERIVATIVE CONTRACTS	149.6	79,968.2	148,490.0
OTHER ASSETS	475.9	254,342.4	276,173.1
FIXED ASSETS:			
Premises and equipment (net)	241.6	129,136.5	118,429.0
Investment in other companies	7.9	4,218.0	4,433.2
Total fixed assets	249.5	133,354.5	122,862.2
Total Assets	21,267.1	11,365,727.2	10,899,514.1

LIABILITIES AND SHAREHOLDERS' EQUITY	2006 US\$ (Millions)	2006 Ch\$ (Millions)	2005 Ch\$ (Millions)
<u>LIABILITIES</u>			
DEPOSITS AND OTHER LIABILITIES			
Current accounts	3,292.7	1,759,708.7	1,345,732.1
Saving accounts and time deposits	9,020.7	4,820,931.5	4,880,203.8
Other sight and term liabilities	549.3	293,564.2	260,703.1
Investment under agreements to repurchase	986.1	526,987.4	629,964.7
Mortgage finance bonds	3,876.8	2,071,882.7	2,127,137.7
Contingent liabilities	667.5	356,752.6	192,607.3
Total deposits and other liabilities	<u>18,393.1</u>	<u>9,829,827.1</u>	<u>9,436,348.7</u>
BONDS ISSUED:			
Bonds	303.7	162,300.1	76,121.3
Subordinated bonds	508.0	271,474.9	187,685.2
Total bonds	<u>811.7</u>	<u>433,775.0</u>	<u>263,806.5</u>
BORROWINGS FROM CENTRAL BANK AND OTHER FINANCIAL INSTITUTIONS			
Chilean Central Bank borrowings credit lines of credit for renegotiations of loans	-	-	686.0
Other Central Bank borrowings	209.9	112,154.7	89,104.2
Borrowings from domestic financial institutions	166.1	88,742.2	83,308.4
Foreign borrowings	201.1	107,469.7	145,421.0
Other borrowings	52.8	28,214.1	6,128.2
Total borrowings from financial institutions	<u>629.9</u>	<u>336,580.7</u>	<u>324,647.8</u>
FINANCIAL DERIVATIVE CONTRACTS	<u>123.1</u>	<u>65,784.6</u>	<u>106,809.3</u>
OTHER LIABILITIES	<u>357.9</u>	<u>191,279.0</u>	<u>312,462.8</u>
Total liabilities	<u>20,315.7</u>	<u>10,857,246.4</u>	<u>10,444,075.1</u>
MINORITY INTEREST	<u>2.3</u>	<u>1,230.9</u>	<u>1,424.8</u>
SHAREHOLDERS' EQUITY			
Capital and reserves	858.4	458,753.6	427,026.3
Other equity accounts	(3.0)	(1,590.7)	(13,302.9)
Net income for the year	93.7	50,087.0	40,290.8
Total Shareholders' equity	<u>949.1</u>	<u>507,249.9</u>	<u>454,014.2</u>
Total liabilities and Shareholders' equity	<u>21,267.1</u>	<u>11,365,727.2</u>	<u>10,899,514.1</u>

The accompanying notes 1 to 23 are an integral part of these financial statements.

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Consolidated Statements of Income

For the years ended December 31, 2006 and 2005

	2006 US\$ (Millions)	2006 Ch\$ (Millions)	2005 Ch\$ (Millions)
OPERATING INCOME:			
Interest revenue	1,405.9	751,370.3	660,507.3
Gains from trading activities	387.0	206,806.2	106,935.1
Fees and other services income	195.1	104,255.3	87,883.2
Foreign exchange gain (net)	7.9	4,225.3	5,364.0
Other operating income	6.7	3,593.5	10,909.9
Total operating revenues	2,002.6	1,070,250.6	871,599.5
Less:			
Interest expense	(762.2)	(407,361.9)	(388,669.4)
Losses from trading activities	(349.2)	(186,608.4)	(86,485.0)
Fees and other services expenses	(14.6)	(7,820.8)	(6,945.8)
Other operating expenses	(3.6)	(1,916.0)	(934.1)
Gross operating margin	873.0	466,543.5	388,565.2
Personnel salaries and expenses	(344.4)	(184,056.5)	(153,592.1)
Administrative and other expenses	(148.7)	(79,457.8)	(66,945.2)
Depreciation and amortization	(33.2)	(17,764.9)	(16,503.4)
Net operating margin	346.7	185,264.3	151,524.5
Provision for assets at risk	(91.9)	(49,140.2)	(28,915.2)
Total operating income	254.8	136,124.1	122,609.3
NON-OPERATING RESULTS:			
Non-operating income	13.0	6,939.9	4,217.2
Non-operating expenses	(43.7)	(23,346.1)	(15,849.2)
Income from investments in other companies	1.0	530.6	631.9
Net loss from price-level restatement	(7.0)	(3,717.6)	(10,461.1)
Income before income taxes	218.1	116,530.9	101,148.1
Income tax provision	(114.8)	(61,336.8)	(56,504.3)
Income after income taxes	103.3	55,194.1	44,643.8
Minority interest	(9.6)	(5,107.1)	(4,353.0)
Net income for the year	93.7	50,087.0	40,290.8

The accompanying notes 1 to 23 are an integral part of these financial statements.

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2006 and 2005

	2006 US\$ (Millions)	2006 Ch\$ (Millions)	2005 Ch\$ (Millions)
CASH FLOW FROM OPERATING ACTIVITIES:			
Net income	93.7	50,087.0	40,290.8
Charges (credits) to income not representing cash flows:			
Depreciation and amortization	33.2	17,764.9	16,503.4
Provision and write-off of assets at risk	91.9	49,140.2	53,211.3
Adjustment to market value of financial investments trading portfolio	2.6	1,431.9	6,405.8
Income from investments in companies	(0.8)	(452.3)	(631.9)
Net gain on sale of assets received in payment	(0.2)	(131.7)	(2,045.4)
Gain on sales of fixed assets	(0.6)	(316.7)	(266.0)
Write-off of assets received in payment	11.0	5,856.3	3,773.7
Net loss from price-level restatement	7.0	3,717.6	10,461.1
Minority interest	9.6	5,107.1	4,353.0
Other charges that do not required cash	30.3	16,187.6	11,211.3
Net changes on interest indexation and fees and other services accrued on assets and liabilities	(83.6)	(44,671.3)	(15,272.1)
Net cash provided by operating activities	194.1	103,720.6	127,995.0
 CASH FLOWS FROM INVESTMENT ACTIVITIES:			
Increase in loans (net)	(1,818.2)	(971,718.1)	(930,645.9)
Net increase (decrease) in investments	1,204.5	643,709.9	(1,068,009.4)
Net decrease in other credit operations	93.8	50,106.0	54,444.7
Purchase of fixed assets	(68.7)	(36,715.3)	(18,601.6)
Sale of fixed assets	28.4	15,172.0	5,622.9
Investments in other companies	-	-	(1,356.2)
Dividends received from investments in companies	0.1	58.4	49.2
(Increase) decrease in other assets and liabilities	(65.9)	(35,228.7)	77,762.1
Net cash used in investing activities	(626.0)	(334,615.8)	(1,880,734.2)

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2006 and 2005

	2006 US\$ (Millions)	2006 Ch\$ (Millions)	2005 Ch\$ (Millions)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase in current accounts	799.7	427,382.4	93,615.4
Net increase in deposits and borrowings	96.9	51,792.4	1,748,359.6
Net decrease in other and sight borrowings or term obligations	(200.5)	(107,143.7)	(14,613.5)
(Decrease) increase in investments under repurchase agreements	(212.5)	(113,586.4)	242,635.6
Decrease in short-term foreign loans	(52.2)	(27,873.9)	(26,311.1)
Net (decrease) increase in mortgage finance bonds	(23.4)	(12,508.2)	201,143.3
Increase in other short-term borrowings	27.8	14,850.5	4,616.8
Increase in borrowings from Central Bank (long-term)	(1.3)	(688.1)	(302,361.8)
Borrowings from Central Bank	42.6	22,760.3	-
Proceeds bond issuances	165.6	88,495.5	81,704.1
Bond issuances	163.2	87,254.5	(4,777.3)
Increase in borrowings from financial institutions (long-term)	14.2	7,573.0	17,352.7
Distribution of prior year net income to the Chilean Treasury	(3.7)	(1,973.1)	(8,119.5)
Net cash provided by financing activities	816.4	436,335.2	2,033,244.3
Inflation effect on cash and cash equivalents	(8.3)	(4,451.5)	(25,534.1)
Net increase in cash and cash equivalents for the year	376.1	200,988.5	254,971.1
Cash and cash equivalents at beginning of year	1,416.0	756,742.2	501,771.1
Cash and cash equivalents at end of year	1,792.1	957,730.7	756,742.2

The accompanying notes 1 to 23 are an integral part of these financial statements.

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 1 - Significant Accounting Policies Applied

a) Information provided

The financial statements have been prepared in accordance with regulations issued by the Superintendency of Banks and Financial Institutions (hereinafter the Superintendency). Such regulations agree with accounting principles generally accepted in Chile. For the subsidiaries overseen by the Superintendency of Insurance and Security of Banks and Financial Institutions, accounting regulations issued by such regulating entity have been applied. The applications of divergent accounting principles between those promulgated by the Superintendency and accounting principles generally accepted in Chile do not have significant effects on these consolidated financial statements.

The figures for the 2005 period have been restated according to changes in the Consumer Price Level Index (2.1%); additionally some minor reclassifications have been made to the prior year, to conform the presentation of the basic financial statements.

b) Basis of consolidation

These financial statements consolidate the subsidiaries in which the Bank has over 50% interest, including the New York Branch, according to the following detail:

Company	Ownership	
	2006	2005
	%	%
BancoEstado S.A. Corredores de Bolsa	99.9996	99.9996
BancoEstado Microempresas S.A. (*)	99.8900	99.8900
BancoEstado Corredora de Seguros S.A.	50.1000	50.1000
BancoEstado Servicios de Cobranza S.A. (*)	99.9000	99.9000
BancoEstado S.A. Administradora General de Fondos	99.9900	99.9900
BancoEstado Contacto 24 Horas (*)	99.9000	99.9000
Globalnet S.A. (*)	63.1579	63.1579
BancoEstado Centro de Servicios S.A. (*)	99.9000	99.9000
BancoEstado - Sucursal Nueva York (*)	100.0000	100.0000

(*) Companies overseen by the Superintendency of Banks and Financial Institutions. The remaining companies are overseen by the Superintendence of Insurance and Securities.

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 1 - Significant Accounting Policies Applied (continued)

b) Basis of consolidation (continued)

All significant balances and transactions among the group's companies have been eliminated in consolidation. Income from equity method invested and income from subsidiaries amounts to \$ 1,230.9 million. The debit to income and credit to Minority Interest in the income statements and balance sheets, respectively, were \$5,107.1 million in 2006 and \$4,353.0 million in 2005. The balances of minority interest in the balance sheet as of December 31, 2006 and 2005, respectively, were credits of \$1,230.9 million and \$1,424.8 million, respectively.

The subsidiaries' assets and operating income represent 4.9% (2.8% in 2005) and 7.2% (5.98% in 2005) of the total consolidated assets and operating income, respectively.

For consolidation purposes, the financial statements of the New York Branch have been translated into Chilean pesos at the December 31, 2006 dollar exchange rate of Ch\$ 534.43 per dollar, in accordance with Technical Bulletin No. 64 of the Chilean Institute of Accountants concerning the valuation of foreign investments in economically stable countries.

c) Interest and indexation

The amounts recorded in the balance sheet for loans, investments and liabilities include interest and indexation accrued at year-end. However, the Group has taken the position of discontinuing the recognition of interest and indexation on high-risk or past-due loans.

d) Price level restatement

Shareholders' equity, fixed assets, and other non-monetary balances have been price-level restated, using the change in the Chilean Consumer Price Index (CPI). The application of price-level restatement results in a net charge to income of Ch\$3,717.6 million (MCh\$10,461.1 million in 2005).

Income statement accounts have not been price level restated.

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 1 - Significant Accounting Policies Applied (continued)

e) Foreign currency

Assets and liabilities denominated in foreign currency have been translated into Chilean pesos at the exchange rate prevailing at year-end of Ch\$ 534.43 per US\$ 1 exchange rate (\$ 514.21 per US\$ 1 in 2005).

The net exchange gain of Ch\$4,225.3 million (Ch\$5,364.0 million in 2005) presented in the Income Statement includes recognition of the effects of changes in the exchange rate on assets or liabilities denominated in foreign currency and foreign exchange transaction gain/loss.

f) Financial investments

Before January 1, 2006, the Bank's financial investments were classified as trading or permanent in accordance with the regulations of the SBIF with unrealized gains and losses on trading investments included in Other operating income (expenses), and unrealized gains and losses on permanent investments included in a separate component of shareholders' equity. Investment securities maintained by the Bank's subsidiaries were carried on a stand-alone basis on the subsidiary's financial statements only at the lower of price-level restated cost or market value.

The Bank's previously identified "trading" investments, although not classified as such in prior years, for accounting purposes, were treated the same as those classified as "trading" since January 1, 2006. Additionally, over all periods presented, classification for accounting purposes has been conformed.

Effective January 1, 2006 the accounting for financial instruments acquired for trading or investments purposes (available-for-sale or held-to-maturity) are classified as follows:

This adjustment, in the case of Banco Estado Corredores de Bolsa y Banco Estado S.A. Administradora General de Fondos, is recorded against income and only when the market value is lower.

All purchases and sales of instruments for trade that must be delivered within terms established by market regulations or conventions are recognized at the date of trade, which is the date on which the purchase or sales of the asset is committed. All other purchases or sales are treated as derivatives (forwards) until they are settled.

i. Trading Instruments - Instruments for trading are securities acquired for which the Bank has the intent to generate earnings from short-term price fluctuations or through brokerage margins or that are included in a portfolio created for such purposes.

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 1 - Significant Accounting Policies Applied (continued)

Instruments for trading are valued at their fair value according to market prices on the closing date of the balance sheet. Mark to market adjustments, as well as realized gains/losses from trading, are included in the Income Statement under "Earnings (losses) from trading activities". Interest income and indexation adjustments are reported as "Interest revenue".

- ii. **Investment Instruments** - Investment instruments are classified into two categories: Held to maturity investments and Instruments available for sale. Held to maturity investments only include those instruments for which the Bank has the intent and ability to hold to maturity. Investment instruments not classified as held to maturity or trading are considered to be available for sale. Investment instruments are recognized initially at cost, which includes transaction costs.

Instruments available for sale are valued at each subsequent period-end at their fair value according to market prices or valuations obtained by using models. Mark to market adjustments are reported in a separate component of Shareholders' equity. When these investments are sold or become impaired, the amount of the adjustments to fair value accumulated in Shareholders' equity is reclassified to the income statement and reported under "Gain from trading activities" or "Losses from trading activities", as applicable.

Held to maturity investments are recorded at their cost value plus accrued interest and adjustments, less provisions for impairment recorded when the book value is higher than its estimated return.

Interest and indexation adjustments of held to maturity investments and available for sale investments are included under "Interest revenue and expenses". Investment instruments designated as hedges are accounted for under the appropriate derivative accounting rules.

All purchases and sales of investment instruments, to be delivered within the deadline stipulated by market regulations and conventions, are recognized on the commitment date, which is the date on which the commitment is made to purchase or sell the asset. Other purchases or sales are treated as forwards until they are liquidated.

The Bank has evaluated its "Investment Instruments" portfolio at December 31, 2006 to verify if there are impairment indicators; the evaluation includes economic evaluations, credit ratings of debt issuers and the intention and capacity of Management in keeping these investments to maturity. Based on Management's evaluation, these investments are considered as not impaired.

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 1 - Significant Accounting Policies Applied (continued)

g) Financial derivative contracts

Derivative activities - Prior January 1, 2006, the Bank and its subsidiaries recorded, according to instructions of the Superintendence of Banks and Financial Institutions or the Superintendence of Insurance and Securities, derivative instruments in asset accounts and their corresponding liability offset accounts; at year-end their net balance was presented under Other Assets or Other Liabilities. Initial differences originating from this type of operations were amortized during the term of the respective contracts.

The Bank valued forward currency contracts at the daily-observed exchange rate and the resulting income or loss were recognized in income on an accrual basis.

The Bank valued interest rate SWAP contracts (IRS) at each month's closure according to the accrual of agreed interest rates, recording the positive or negative differences by respectively crediting or charging income.

Effective January 1, 2006, under the requirements of Circular No. 3,345 de la Superintendency of Banks, the accounting treatment of certain derivative instruments and hedges of financial assets changed. Traditional financial instruments which meet the definition of a "derivative" such as forwards in foreign currency and unidades de fomento (inflation index-linked units of account), interest rate futures, currency and interest rate swaps, currency and interest rate options, and others are recognized initially in the balance sheet at cost (including transaction fees) and, at subsequent period ends, at their fair value. The fair value is obtained from market quotes, discounted cash flow models and option valuation models, as applicable.

Derivative contracts are stated as assets when their reasonable value is positive and as liabilities when it is negative, in "Financial derivative contracts".

Certain terms may be incorporated into non-derivative financial instruments whose risk and economic characteristics are not clearly and closely related to those of the host contract which may require their bifurcation from the host contract and treatment as a separate derivative subject to that dictated by Circular No.3,345.

When a derivative contract is signed, it must be designated by the Bank as a speculative contract or a hedge. Any changes in the fair value of speculative financial derivative contracts are recorded in Income under "Gains from trading activities" or "Losses from trading activities", as applicable. If the derivative is classified as a hedge, it may be: (1) a fair value hedge, or (2) a cash flow hedge. To qualify as a hedge for accounting purposes, the instruments must comply with all the following conditions: (a) hedging must be formally documented at initiation; (b) hedging is expected to be highly effective; (c) the efficiency of the hedge can be measured reasonably; and (d) hedging is highly effective with regard to the risk hedged, continuously throughout its lifetime.

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 1 - Significant Accounting Policies Applied (continued)

Certain derivative transactions that do not classify to be accounted for as hedges are treated and reported as speculative, even though they may provide an effective economic hedge for managing risk positions.

When a derivative hedges exposure to changes in the fair value of an existing asset or liability, the latter is recorded at its fair value. Earnings or losses from measuring the fair value of both the item hedged and the hedging derivative are recognized in income. If the item hedged in a fair value hedge is a firm commitment, the changes in the fair value of the commitment with regard to the risk hedged are recorded as assets or liabilities with the offsetting effect recorded in income. When an asset or liability is acquired as a result of the commitment, the initial recognition of the acquired asset or liability is adjusted to fair value.

When a derivative hedges exposure to changes in the cash flows of existing assets or liabilities, or expected transactions, the effective portion of the changes in fair value with regard to the risk hedged is recorded in shareholders' equity. Any ineffective portion is recognized directly in the period's income. The amounts recorded directly in shareholders' equity are recorded in income in the same periods in which the offsetting changes in assets or liabilities hedged affect the income statement.

When fair value hedge accounting is used for portfolio hedge of interest rate risk and the hedge item is designated as an amount of currency, the earnings or losses from measuring the fair value of both the portfolio hedged and the hedge are recognized in income.

h) Investment under agreement to repurchase

The Bank and its subsidiaries enter into repurchasing agreements as a form of financing. Therefore, the Bank's investments that are sold subject to a repurchasing obligation and used as collateral for loans are classified as "Traded documents" and valued at the initial value of the agreement plus accrued interest and indexation. The obligation to repurchase the investment is classified as "Liability for instrument trading activities", recognizing accrued interest and indexation as of year-end.

The Bank also enter into resale agreements as a form of investment. The financial instruments that the Bank purchases in this manner are included as assets under "Investments purchased under agreements to resale".

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 1 - Significant Accounting Policies Applied (continued)

i) Leasing contracts

Lease contracts include the nominal value of all current leasing contracts net of non-accrued interest and value added tax. Provisions are shown separately under Provision for Loan Losses.

Assets acquired for leasing contracts are recorded under "other Assets" at their acquisition value plus price-level restatement.

j) Allowance for loan losses

The Bank has established all the allowances that are required to cover the credit risk on assets, in accordance with the standards issued by the Superintendency of Banks and Financial Institutions. The assets are shown net of such provisions or in the case of loans, as a deduction there from.

Models established by the Superintendency of Banks and Financial Institutions, to determine provisions are summarized as follows:

Models based on the individual analysis of the debtors:

The individual analysis of debtors is necessary in the case of companies for whom - due to their size, complexity or level of exposure - thorough and detailed information must be provided. In addition, a risk category must be assigned to each debtor and its corresponding loans, taking into consideration at least the following risk factors:

- Industry or sector.
- Partners and management.
- Financial condition and creditworthiness.
- Payment behavior.

Once the analysis is complete, each debtor and loan shall be classified in one of the following categories:

Portfolio of debtors under normal risk:

- Categories A1, A2 and A3 correspond to debtors whose creditworthiness is sufficient to cover their liabilities according to the terms agreed upon and without evidence of outstanding risks.
- Category B corresponds to debtors whose creditworthiness is sufficient to cover their liabilities under the terms agreed upon, but with a certain degree of risk.

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 1 - Significant Accounting Policies Applied (continued)

Portfolio of debtors under higher than normal risk:

- Categories C1, C2, C3, C4, D1 and D2 correspond to debtors whose creditworthiness is insufficient.

In order to assess provisions for debtors classified under A1, A2, A3 and B, the Bank uses the provision percentages approved by the Executive Committee. In addition, for C1, C2, C3, C4, D1 and D2 debtors, the following levels of provisions were agreed upon according to the existing regulations:

Category	Estimated loss range	Allowances
		%
C1	Up to 3%	2
C2	Over 3% up to 19%	10
C3	Over 19% up to 29%	25
C4	Over 29% up to 49%	40
D1	Over 49% up to 79%	65
D2	Over 79%	90

Models of group assessment:

Group analysis is used to analyze a high number of operations with low individual amounts. Generally, these are individuals or small companies. In these cases, the Bank uses models based on the attributes of debtors and their loans.

Loan write-offs:

Loan write-offs are performed after every means of collection has been exhausted, within the regulatory terms provided by the Superintendency of Banks and Financial Institutions, which are as follows:

- Consumer loans are 100% written-off 6 months after the debtor defaults on the first installment.
- Commercial loans are written-off 24 months after being categorized as “past due” in the case of loans without collateral, and 36 months for loans with collateral.

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 1 - Significant Accounting Policies Applied (continued)

Recovery of written-off loans

Recovery of loans already written off are directly recognized as income under the item “Provisions for assets at risk” against loan loss reserve.

As of December 31, 2006 recovery of loans amounted to Ch\$ 21,781.7 million (Ch\$ 24,296.0 million in 2005).

k) Bank premises and equipment

Bank premises and equipment are stated at price-level restated cost and are shown net of accumulated depreciation. Depreciation is calculated using the straight-line method over the useful lives of the assets.

l) Factoring operations

The Bank carries out factoring operations with its clients, through which it receives invoices and other commercial instruments representative of loans, with or without responsibility of the transferor, paying the transferor upfront a percentage of the total amounts receivable associated with the documents ceded.

“Other outstanding loans” include Ch\$ 40,710.3 million at December 31, 2006 (Ch\$ 9,981.2 million in 2005), corresponding to advances to the transferors plus accrued interest net of payments received.

m) Investments in other companies

Investments in companies in which the Bank holds 10% or more interest, or is entitled to appoint a minimum of one member to the Board of Directors or Management, are accounted for using the equity method.

Other minority investments are recorded at restated purchase cost.

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 1 - Significant Accounting Policies Applied (continued)

n) Conversion of foreign branch financial statements

The Bank translate the accounting records of its New York Branch to Chilean pesos from U.S. dollars, in accordance with instructions established by the Superintendency of Banks and Financial Institutions, which are consistent with Technical Bulletin No. 64 “Accounting for Permanent Investments”, issued by the Chilean Institute of Accountants. All amounts from the Income Statement and Balance Sheet are converted into Chilean pesos using the exchange rate indicated in note 1 e). In accordance with this rule, investments are price-level restated, recorded through the income statement, while gain or loss from exchange differences between Chilean pesos and U.S. dollars are recorded in equity under “Other equity accounts”.

o) Income tax and deferred income taxes

The income tax provision has been determined in conformity with Chilean tax legislation.

The effects of deferred taxes arising from temporary differences between tax and book balances are recorded on the accrual basis in accordance with Technical Bulletins Nos. 60, 69 and 71 and 73 of the Chilean Institute of Accountants.

p) Vacation expense

The annual cost of employee vacations and benefits is recorded on the accrual basis.

q) Intangibles

The Bank values its intangible assets in accordance with the Circular No. 3,029 issued by the Superintendency of Banks and Financial Institutions of Chile. Investments in software are the main intangible assets recorded by the Banks and are amortized over a six-year period and are shown net of amortization under the item “Other Assets” (See Note 22).

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 1 - Significant Accounting Policies Applied (continued)

r) Assets received in lieu of payment

Assets received in lieu of payment are shown at the lower of the restated initial value and the appraisal value of these assets and net of write-offs. As required by the Superintendency of Banks and Financial Institutions Write-offs are required if the asset is not sold within one year after it is received.

s) Cash and cash equivalents

In conformity with specific rules applicable to financial institutions, the Bank has considered as cash only the cash balances in the Balance Sheet. The Statement of Cash Flows has been prepared using the indirect method.

t) Convenience translation into U.S. dollars

The financial statements are stated in Chilean pesos, the currency of the country in which the Bank is incorporate and operates. The translations of Chilean pesos amounts into U.S. dollar amounts are included solely for the convenience of readers in the United States of America and have been made at the rate of \$534.43 to \$1U.S., the approximate free rate of exchange at December 31, 2006. Such translation should not be construed as representations that the Chilean pesos amounts could be converted into U.S. dollars at that or any other rate.

Note 2 - Accounting Changes

On December 20, 2005 the Superintendency of Banks and Financial Institutions issued Circular No. 3,345 and related amendments through Circular No.3,349 dated February 7, 2006, Circular No. 3,355 dated May 25, 2006 and Circular No. 3,358 dated May 31, 2006, governing the application of new accounting principles and the valuation and classification of financial instruments acquired, derivative instruments, accounting hedges and write-offs of financial assets on the balance sheet. The aforementioned changes in accounting principles were recorded as of January 1, 2006 retroactively, adjusting the valuation differences determined as of December 31, 2005 directly against shareholders' equity in the amount of MCh\$6,505.6. The Bank has recorded a net credit of MCh\$14,244.3 to income due to the application of the new accounting principles as December 31, 2006. For comparative purposes, the balances at December 31, 2005 have been regrouped and reclassified, but not adjusted, based on the transition provisions established in Circular No.3,345 and its subsequent amendments issued by the Superintendency of Banks and Financial Institutions.

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 3 - Relevant Events

Change of Directors in the Board of Directors

Through Treasury Department Law Decree No. 417 published in Official Gazette No. 38,458 dated May 9, 2006, the resignation of Javier Etcheverry Celhay as President of the Banco del Estado de Chile was accepted on April 5, 2006, naming José Luis Mardones Santander in his place.

Additionally, through Treasury Department Law Decree No. 420 published in Official Gazette No. 38,525 dated July 28, 2006, the resignation of Alberto Chacón Oyanedel as Attorney was accepted on April 19, 2006, naming Osvaldo Lagos Puccio in his place.

On March 15, 2006, the resignation of Ms. Vivianne Blanlot Soza was accepted, and on March 31, 2006, the resignation of Genaro Arriagada Herrera, José Arellano Marín and Luis Soto Illanes, all members of the Board of Directors, naming Alvaro Erazo Latorre, Nicolás Eyzaguirre Guzmán, Sergio Páez Verdugo and Francisco Vidal Salinas in their place.

- **Issuance of Subordinate Bonds**

During 2006 the Bank carried out the third and fourth issuance of Subordinated Bonds for a total of U.F. 4,500,000, of which U.F. 2,000,000 (Series D) were placed in January 2006, at an annual rate of 4.47%. The remaining balance was placed in August 2006 and amounted to U.F. 2,500,000 (Series E) at an annual rate of 4.20%.

Both bonds have a 25-year term with a 5-year principal grace period. Interest is paid semi-annually. After the 5-year grace period, principal is paid semi-annually.

- **Issuance of Bank Bonds**

In September 2006, the third issuance of bank bonds for U.F. 5,000,000, at an annual rate of 3.49% 5-year term with a 5-year term including semi-annual interest payments and principal payment at maturity.

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 3 - Relevant Events (continued)

- **Creation of Caja Vecina**

In Official Gazette No.38,601 dated October 30, 2006, the summary of incorporation of the subsidiary called "Sociedad de Servicios Transaccionales Caja Vecina S.A.", (BancoEstado Caja Vecina) was published. Caja Vecina will start operating on February 1, 2007 with the purpose of supporting bank withdrawals and, in general terms, performing all activities, legal acts and operations in which only cash or magnetic cards are used for those individuals described in Nos. 1-8 of Article No.69 of the General Banking Law, except entering into checking account and borrowing agreements.

The purpose of this subsidiary is providing financial services in faraway locations in order to improve people's living conditions, avoid client travel and related cost, reduce transaction time and improve security conditions and complying on a timely basis with customer requirements.

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 4 - Transactions with Related Parties

According to the provisions of the General Banking Law and instructions from the Superintendency, individuals and companies that are related, directly or indirectly, to the Bank's owners or management are considered related parties.

a) Loans to related parties

December 31, 2006 and 2005, loans to related parties at are as follows:

	Loans			Past due Loans			Total			Collateral pledged (*)		
	2006 MUS\$	2006 MCh\$	2005 MCh\$	2006 MUS\$	2006 MCh\$	2005 MCh\$	2006 MUS\$	2006 MCh\$	2005 MCh\$	2006 MUS\$	2006 MCh\$	2005 MCh\$
Operating companies	73.2	39,135.3	26,608.9	-	-	-	73.2	39,135.3	26,608.9	-	-	424.8
Individuals (**)	2.3	1,234.3	1,063.6	-	-	-	2.3	1,234.3	1,063.6	2.2	1,175.2	1,015.7
Total	75.5	40,369.6	27,672.5	-	-	-	75.5	40,369.6	27,672.5	2.2	1,175.2	1,440.5

(*) Includes only that collateral established by Article 84 of the General Banking Law for purposes of determining the individual credit limits defined by the Law. The collateral is valued in accordance with the instructions of the Superintendency.

(**) Includes only those loans to individuals whose outstanding balances are not less than the equivalent of UF 3,000 inflation index-linked units of account.

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 4 - Transactions with Related Parties (continued)

b) Other transactions with related parties

During 2006 and 2005, the Bank's transactions with related parties for amounts in excess of UF 5,000 inflation index-linked units of account are as follows:

Companies	Expenses			Income	
	2006 MUS\$	2006 MCh\$	2005 MCh\$	2006 MUS\$	2005 MCh\$
Nexus S.A.					
- IT consulting and support	3.8	2,025.1	283.7	-	-
Empresa de Correos de Chile					
- Mailing costs	1.3	690.0	1,292.5	-	-
Transbank					
- Credit card management	1.1	577.0	-	-	-
Empresa Nacional de Telecomunicaciones S.A.					
- Telephone service	0.4	207.5	787.0	-	-
Ingeniería Informática Kibernet S.A.					
- External resources	0.5	265.4	532.5	-	-
Sistema Nacional de Comunicaciones Financieras S.A.					
- Financial communications	0.5	274.0	248.1	-	-
Televisión Nacional de Chile					
- Advertising	0.7	354.8	380.3	-	-
Fundación Asistencial y de Salud					
- Office rental	0.2	107.4	106.3	-	-
Subtotal	<u>8.5</u>	<u>4,501.2</u>	<u>3,630.4</u>	<u>-</u>	<u>-</u>
Operations between 1,000 and 5,000					
Unidades de Fomento:					
- Advertising and others	-	26.4	28.5	-	-
- Rental income	-	-	-	0.3	142.5
Total	<u>8.5</u>	<u>4,527.6</u>	<u>3,658.9</u>	<u>0.3</u>	<u>142.5</u>
					<u>145.0</u>

In Management's opinion, all these transactions with related parties were performed under conditions normally prevailing in the market at the date of the transaction.

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 5 - Investments in Other Companies

The balance sheet includes investments in other companies for Ch\$ 4,218.0 million (Ch\$4,433.2 million in 2005) included is assets (and other information) is presented as follows:

<u>Company</u>	Ownership Interest		Equity		Investment					
	2006	2005	2006	2005	Book Value			Income		
	%	%	MM\$	MM\$	2006	2006	2005	2006	2006	2005
Transbank S.A.	8.7188	8.7188	5,249.7	5,136.6	0.8	447.8	457.2	0.1	69.9	69.7
Operadora de Tarjetas de Créditos Nexus S.A.	12.9030	12.9030	4,724.6	4,431.5	1.1	571.8	583.8	0.2	118.3	93.0
Sociedad Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A.	11.6600	18.1600	2,994.2	2,409.8	0.5	281.0	286.9	0.1	58.0	(22.5)
Bolsa de Comercio de Santiago	2.0833	2.0833	15,077.3	14,032.3	0.7	341.1	298.4	0.2	74.0	52.8
Bolsa Electrónica de Chile	2.5000	2.5000	3,050.9	2,819.2	0.1	76.3	72.0	-	4.3	3.5
Administrador Financiero Transantiago S.A.	21.0000	21.0000	5,985.9	6,325.6	2.5	1,328.4	1,356.3	(0.2)	(99.5)	(131.5)
Subtotals					5.7	3,046.4	3,054.6	0.4	225.0	65.0
Shares or rights in other companies					2.2	1,171.6	1,378.6	0.6	305.6	566.9
Total					7.9	4,218.0	4,433.2	1.0	530.6	631.9

(*) Includes only those collateral that are admitted by article 84 of the General Banking Law for purposes of establishing the individual credit limits defined by the Law. The collateral are valued in accordance with the instructions of the Superintendency of Banks and Financial Institutions.

(**) Includes only those loans to individuals whose outstanding balances are not less than the equivalent of UF 3,000 inflation index-linked units of account are as follows.

Note 6 - Cash and Due from Banks

In accordance with the rules of the Superintendency of Banks, the Bank must maintain certain non interest-bearing balances in its account with the Central Bank. The required balances are based upon specified financial criteria, including the level of the Bank's assets, the amount of its foreign borrowings and its average liabilities. Restricted amounts totaled MCh\$138,158.0 and MCh\$136,676.2 as of December 31, 2006 and 2005, respectively.

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 7 - Provisions for losses on loans and other assets

At December 31, 2006 the Bank has accrued allowances to cover estimated loan and the assets' losses of Ch\$116,843.5 million (Ch\$99,654.9 million in 2005).

During 2006 and 2005, the changes in such allowance were as follows:

	Reserves for			
	Loans MCh\$	Assets received in lieu of payment or on foreclosure MCh\$	Other Assets MCh\$	Total MCh\$
Balances, December 31, 2004	88,723.7	1,188.0	3,480.1	93,391.8
Write-offs	(42,435.0)	(31.2)	(5,437.2)	(47,903.4)
Allowance established	51,271.1	(1,127.1)	1,972.8	52,116.8
Balances, December 31, 2005	97,559.8	29.7	15.7	97,605.2
Price-level restated balances for comparative purposes	99,608.6	30.3	16.0	99,654.9
Balances at December 31, 2005	97,559.8	29.7	15.7	97,605.2
Write-offs	(51,415.9)	-	(267.6)	(51,683.5)
Allowance established	70,658.0	4.8	259.0	70,921.8
Balances, as of December 31, in MCh\$	116,801.9	34.5	7.1	116,843.5
Balances, as of December 31, in MUS\$	218.6	0.1	0.0	218.7

In the opinion of the Bank's Management, based on the information examined, the allowances established cover all possible losses that might result from non-recovery of assets.

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 8 – Shareholders’ Equity

a) Equity accounts

The movements in the shareholders’ equity accounts during 2006 and 2005 are summarized as follows:

	Paid-in Capital MCh\$	Reserves MCh\$	Other reserves MCh\$	Net income for the year MCh\$	Total MCh\$
Balances, December 31, 2004	4,000.0	363,046.6	860.7	44,561.8	412,469.1
Distribution of net income 2004	-	-	-	(7,952.5)	(7,952.5)
Capitalization of net income 2004	-	36,609.3	-	(36,609.3)	-
Price-level restatement of capital	-	14,587.3	-	-	14,587.3
Fair value adjustment for for available for sale securities (1)	-	-	(13,588.1)	-	(13,588.1)
Cumulative translation adjustment (2)	-	-	(301.9)	-	(301.9)
Net income 2005	-	-	-	39,462.1	39,462.1
Balances, December 31, 2005	4,000.0	414,243.2	(13,029.3)	39,462.1	444,676.0
Price-level restated balances, for comparison purposes	4,084.0	422,942.3	(13,302.9)	40,290.8	454,014.2
Balances, December 31, 2005	4,000.0	414,243.2	(13,029.3)	39,462.1	444,676.0
Distribution of net income 2005	-	-	-	(1,973.1)	(1,973.1)
Capitalization of net income 2005	-	37,489.0	-	(37,489.0)	-
Price-level restatement of capital	-	9,527.0	-	-	9,527.0
Fair value adjustment	-	(6,505.6)	-	-	(6,505.6)
for available for sale securities (1)	-	-	11,263.4	-	11,263.4
Cumulative translation adjustment (2)	-	-	175.2	-	175.2
Net income 2006	-	-	-	50,087.0	50,087.0
Balances a of 31.12.2006 in MCh\$	4,000.0	454,753.6	(1,590.7)	50,087.0	507,249.9
Balances a of 31.12.2006 in MUS\$	7.5	850.9	-3.0	93.7	949.1

- (1) Corresponds to the adjustment to market value of the permanent investment portfolio (Note 1 g))
- (2) Corresponds to translation differences from recording the investment in the New York Branch (Note 1 n)).

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 8 – Shareholders' Equity (continued)

Distribution of net income for 2005:

In accordance with the Supreme Decree No. 618 issued by the Finance Ministry on May 29, 2006, Ch\$1,973.1 million from a total 2005 net income of Ch\$ 39,462.1 million was allocated to the Chilean Government Treasury (in 2005 Ch\$ 7.952,5 million of a 2004 net income of Ch\$44,561.8 million was allocated). The remaining Ch\$ 37,489.0 million (Ch\$ 36.609,3 million in 2005) went to increase the Bank's reserves. Values mentioned above are presented at historical values.

Price - level restatement:

The aggregate amount of price-level restatement of paid-in capital is included under "Reserves" as, in accordance with the Bank's Law, authorized capital may only be increased by Supreme Decree.

Net income for 2006:

Net income for 2006 amounted to Ch\$ 50.087,0 million. The President of Chile may upon proposal from the Bank's Board of Directors, allocate all or part of the net income for the year as a dividend to the Chilean Government, in accordance with the Bank's Organic Law.

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 8 – Shareholders' Equity (continued)

b) Basic capital and effective equity

According to the Chilean General Banking Law, the minimum basic capital of a financial institution may not be less than 3% of its total assets, while the effective equity may not be less than 8% of its risk-weighted assets. As of December 31, 2006 and 2005, these indexes were assessed for the total risk-weighted assets on a consolidated basis, according to the rules of the Superintendency of Banks and Financial Institutions. The Bank's basic capital and effective equity ratios are as follows:

	December 31		
	2006	2006	2005
	MUS\$	MCh\$	MCh\$
Minimum basic capital	855.4	457,162.9	413,723.4
Total assets	21,551.7	11,517,868.1	10,793,505.1
Percentage	3.97%	3.97%	3.83%
Effective equity	1,325.4	708,352.7	587,967.0
Risk-weighted assets	11,903.9	6,361,825.9	5,514,595.6
Percentage	11.13%	11.13%	10.66%

For the purposes of these calculations, basic capital is equivalent to the Bank's paid-in capital plus reserves. The effective equity and assets are calculated on a consolidated base with the subsidiaries. Effective equity is determined on the basic capital adjusted as follow: a) Subordinated bonds are added, up to a cap of 50% of the basic capital and additional provisions and provisions established for the portfolio subject to normal risk, up to a cap of 1.25% of risk-weight assets; b) The balances of assets relating to goodwill or share premiums paid, and the investments in non-consolidated companies, are deducted.

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 9 – Trading instruments

The detail of the instruments designated as financial instruments intended for trading is as follows:

	At December 31		
	2006	2006	2005
	MUS\$	MCh\$	MCh\$
Government and Banco Central of Chile instruments			
Chilean Central Bank	69.6	37,188.7	1,175,138.5
Chilean Treasury Bonds	2.7	1,468.9	-
Other government instruments	-	0.5	868.5
Subtotal	72.3	38,658.1	1,176,007.0
Other financial instruments			
Local bank deposits	432.7	231,239.7	438,992.5
Local mortgage finance bonds	0.5	250.0	-
Local bank bonds	-	-	-
Local bonds	-	-	16,311.4
Other investments in Chile	-	-	-
Instruments issued by foreign governments or Central Banks	-	-	-
Other foreign instruments	-	-	5,152.7
Subtotal	433.2	231,489.7	460,456.6
Total	505.5	270,147.8	1,636,463.6

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 10 – Investment instruments

The detail of the instruments designated as financial instruments available for sale and investments which are held to maturity are as follows:

Instruments available for sale:

	As of December 31		
	2006 MUS\$	2006 MCh\$	2005 MCh\$
Government and Banco Central de Chile instruments			
Instruments from Banco Central of Chile	2,864.4	1,530,838.3	802,608.9
Chilean Treasury Bonds	25.9	13,827.3	-
Other government instruments	-	-	-
Subtotal	<u>2,890.3</u>	<u>1,544,665.6</u>	<u>802,608.9</u>
Other financial instruments			
Local bank deposits	1,551.6	829,239.4	-
Local mortgage finance bonds	-	-	1,132.3
Local bank bonds	-	-	-
Local bonds	27.2	14,520.3	-
Other investments in Chile	-	-	-
Instruments issued by foreign governments or Central Banks	-	-	-
Other foreign instruments	132.2	70,656.5	44,699.2
Subtotal	<u>1,711.0</u>	<u>914,416.2</u>	<u>45,831.5</u>
Total	<u>4,601.3</u>	<u>2,459,081.8</u>	<u>848,440.4</u>

Investments held to maturity

	As of December 31		
	2006 MUS\$	2006 MCh\$	2005 MCh\$
Government and Banco Central de Chile instruments			
Instruments from Banco Central of Chile	-	-	-
Chilean Treasury Bonds	181.5	97,023.4	95,771.7
Other government instruments	39.2	20,943.5	31,136.9
Subtotal	<u>220.7</u>	<u>117,966.9</u>	<u>126,908.6</u>
Other financial instruments			
Local bank deposits	-	-	834,780.1
Local mortgage finance bonds	-	-	-
Local bank bonds	65.3	34,927.9	-
Local bonds	11.8	6,295.6	42,442.5
Other investments in Chile	-	-	-
Instruments issued by foreign governments or Central Banks	-	-	-
Other foreign instruments	65.5	34,981.9	4,874.6
Subtotal	<u>142.6</u>	<u>76,205.4</u>	<u>882,097.2</u>
Total	<u>363.3</u>	<u>194,172.3</u>	<u>1,009,005.8</u>

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 10 – Investment instruments (continued)

Instruments of the government and the Central Bank of Chile include instruments sold to clients and financial institutions under repurchase agreements, for Ch\$ 360,349.5 million and Ch\$ 502,655.9 at December 31, 2006 and 2005, respectively. Repurchase agreements have a 17-day average maturity at year-end (23 days in 2005).

At December 31, 2006 and 2005, the portfolio of instruments available for sale includes respective unrealized losses of Ch\$ 3,558.8 and Ch\$ 12,994.6, recorded against equity.

Note 11 - Fixed Assets

The main categories of fixed assets net of their corresponding accumulated depreciation, are as follows:

	2006 MUS\$	2006 MCh\$	2005 MCh\$
Land and buildings	163.3	87,279.0	81,137.5
Furniture and fixtures	24.7	13,223.9	10,197.7
Computer equipment and others	44.1	23,570.5	21,960.3
Other	9.5	5,063.1	5,133.5
Total	<u>241.6</u>	<u>129,136.5</u>	<u>118,429.0</u>

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 12 – Financial derivative contracts

The Banks uses the following derivative instruments for speculative purposes:

	At December 31, 2006						
	Notional amount of contract			Assets	Fair value		
	with final maturity in				MCh\$	MUS\$	Liabilities
	Less than 3 months	Between 3 month and		MCh\$			MUS\$
		1 year	Over 1 year				
MCh\$		MCh\$	MCh\$				
Derivatives held for hedging	Hedge of cash flow (f) or hedge fair value (RV)						
Currency forwards	-	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-	-
Currency swaps	-	-	-	-	-	-	-
Interest rate and currency swaps	-	-	-	-	-	-	-
Currency call options	-	-	-	-	-	-	-
Interest rate call options	-	-	-	-	-	-	-
Currency put options	-	-	-	-	-	-	-
Interest rate put options	-	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-	-
Total assets (liabilities) - derivatives held for hedging	-	-	-	-	-	-	-
Speculative derivatives							
Currency forwards	3,977,274.3	2,768,214.2	345,492.8	37,232.4	69.6	39,935.6	74.7
Interest rate swaps	413,382.1	1,360,039.0	3,100,631.1	42,735.8	80.0	25,849.0	48.4
Currency swaps	-	-	-	-	-	-	-
Interest rate and currency swaps	-	-	-	-	-	-	-
Currency call options	-	-	-	-	-	-	-
Interest rate call options	-	-	-	-	-	-	-
Currency put options	-	-	-	-	-	-	-
Interest rate put options	-	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-	-
Total assets (liabilities) speculative derivatives	4,390,656.4	4,128,253.2	3,446,123.9	79,968.2	149.6	65,784.6	123.1
Total assets (liabilities) - financial derivatives	4,390,656.4	4,128,253.2	3,446,123.9	79,968.2	149.6	65,784.6	123.1

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 12 – Financial derivative contracts (continued)

		At December 31, 2005				
		Notional amount of contract with final maturity in			Fair value	
		Between 3			Assets	Liabilities
		Less than 3 months	month and 1 year	Over 1 year		
		MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Derivatives held for accounting hedging	Hedge of cash flow (f) or hedge fair value (RV)					
	Currency forwards	-	-	-	-	-
	Interest rate swaps	-	-	-	-	-
	Currency swaps	-	-	-	-	-
	Interest rate and currency swaps	-	-	-	-	-
	Currency call options	-	-	-	-	-
	Interest rate call options	-	-	-	-	-
	Currency put options	-	-	-	-	-
	Interest rate put options	-	-	-	-	-
	Interest rate futures	-	-	-	-	-
	Total assets (liabilities) derivatives held for hedging	-	-	-	-	-
Speculative derivatives						
	Currency forwards	2,149,496.6	2,421,867.7	165,931.6	120,995.8	97,935.4
	Interest rate swaps	161,930.7	270,082.5	697,040.8	27,494.2	8,873.9
	Currency swaps	-	-	-	-	-
	Interest rate and currency swaps	-	-	-	-	-
	Currency call options	-	-	-	-	-
	Interest rate call options	-	-	-	-	-
	Currency put options	-	-	-	-	-
	Interest rate put options	-	-	-	-	-
	Interest rate futures	-	-	-	-	-
	Total assets (liabilities) speculative derivatives	2,311,427.3	2,691,950.2	862,972.4	148,490.0	106,809.3
	Total assets (liabilities) for financial derivatives	2,311,427.3	2,691,950.2	862,972.4	148,490.0	106,809.3

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 13 - Maturities of Assets and Liabilities

a) Maturities of loans and financial investments

The information below shows loans and financial investments classified in accordance with the remaining terms until maturity. The balances include interest accrued at December 31, 2006 and 2005. Instruments for trading or available for sale, are stated at their fair value and classified within the periods during which they can be sold.

	2006				Total MCh\$
	Less than 1 year	Over 1 year / Less than 3 years	Over 3 year / Less than 6 years	Over 6 years	
	MCh\$	MCh\$	MCh\$	MCh\$	
LOANS (*):					
Commercial loans and other	1,474,327.3	645,299.9	600,503.7	1,008,086.3	3,728,217.2
Mortgage loans	90,391.4	202,842.1	352,388.0	1,467,235.6	2,112,857.1
Consumer loans	254,518.2	261,429.8	129,430.2	94,249.1	739,627.3
OTHER LOANS					
Interbank loans	44,436.2	-	-	-	44,436.2
Investments purchased under agreements to resell	45,699.1	-	-	-	45,699.1
INSTRUMENTS HELD FOR TRADING PURPOSES	232,567.6	-	22,545.7	15,034.5	270,147.8
INSTRUMENTS FOR INVESTMENT					
Available for sale	1,937,886.0	266,896.0	102,606.0	151,693.8	2,459,081.8
Held to maturity	44,350.5	67,562.3	57,813.6	24,445.9	194,172.3
DERIVATIVES	46,389.4	11,916.9	20,015.8	1,646.1	79,968.2
Total in MCh\$	4,170,565.7	1,455,947.0	1,285,303.0	2,762,391.3	9,674,207.0
Equivalent in MUS\$	7,803.7	2,724.3	2,405.0	5,168.9	18,101.9

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 13 - Maturities of Assets and Liabilities (continued)

a) Maturities of loans and financial investments

	2005				
	Less than 1 year MCh\$	Over 1 year / Less than 3 years MCh\$	Over 3 year / Less than 6 years MCh\$	Over 6 years MCh\$	Total MCh\$
LOANS (*):					
Commercial loans and other	1,160,458.7	588,124.9	460,204.5	711,236.2	2,920,024.3
Mortgage loans	93,698.9	210,281.0	365,138.6	1,512,621.7	2,181,740.2
Consumer loans	231,959.8	232,698.5	95,733.5	77,739.5	638,131.3
OTHER LOANS					
Interbank loans	99,906.8	-	-	-	99,906.8
Investments purchased under agreements to resell	107,553.2	-	-	-	107,553.2
INSTRUMENTS HELD FOR TRADING PURPOSES	1,532,892.6	25,966.7	34,382.9	43,221.4	1,636,463.6
INSTRUMENTS FOR INVESTMENT					
Available for sale	403,794.8	196,569.1	128,403.7	119,672.8	848,440.4
Held to maturity	862,982.4	46,505.1	70,374.2	29,144.1	1,009,005.8
DERIVATIVES	120,065.5	17,582.6	10,393.7	448.2	148,490.0
Total in MCh\$	4,613,312.7	1,317,727.9	1,164,631.1	2,494,083.9	9,589,755.6

(*) Includes only those loans outstanding at year-end that mature within the indicated periods. Consequently, contingent loans and loans transferred to the past-due portfolio, as well as delinquent loans that have not been transferred to the past-due portfolio amounting to Ch\$55,198.6 million (Ch\$18,738.0 million in 2005), of which Ch\$ 41.602,2 million (Ch\$10.474,2 million in 2005) were delinquent less than 30 days, have been excluded.

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 13 - Maturities of Assets and Liabilities (continued)

b) Maturity of deposits, borrowings and other liabilities

The information detailed below shows deposits, borrowings, and other liabilities in accordance with the remaining terms until maturity. Balances include interest accrued at December 31, 2006 and 2005.

	2006				
	Less than 1 year	Over 1 year / Less than 3 years	Over 3 year / Less than 6 years	Over 6 years	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
DEPOSITS AND OTHER LIABILITIES (*):					
Deposits and demand deposits	2,387,653.4	346,709.7	114,331.9	965.3	2,849,660.3
Other term liabilities	39,009.4	-	-	-	39,009.4
Securities sold under repurchase agreements	526,987.4	-	-	-	526,987.4
Mortgage finance bonds	188,695.8	287,465.3	285,962.7	1,309,758.9	2,071,882.7
BONDS	29,079.4	58,524.6	87,786.9	258,384.1	433,775.0
BORROWINGS FROM CHILEAN CENTRAL BANK AND OTHER FINANCIAL INSTITUTIONS					
Central Bank borrowings credit lines for renegotiations of loans	-	-	-	-	-
Other Chilean Central Bank borrowings	112,154.7	-	-	-	112,154.7
Domestic borrowings	88,742.2	-	-	-	88,742.2
Foreign borrowings	107,469.7	-	-	-	107,469.7
Other borrowings	28,214.1	-	-	-	28,214.1
FINANCIAL DERIVATIVE CONTRACTS	53,434.7	5,001.3	7,348.6	-	65,784.6
Total in MCh\$	3,561,440.8	697,700.9	495,430.1	1,569,108.3	6,323,680.1
Equivalent in MUS\$	6,664.0	1,305.5	927.0	2,936.0	11,832.6

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 13 - Maturities of Assets and Liabilities (continued)

b) Maturity of deposits, borrowings and other liabilities

	2005				Total MCh\$
	Less than 1 year MCh\$	Over 1 year / Less than 3 years MCh\$	Over 3 year / Less than 6 years MCh\$	Over 6 years MCh\$	
DEPOSITS AND OTHER LIABILITIES (*):					
Deposits and demand deposits	2,839,190.3	88,410.6	3,796.3	-	2,931,397.2
Other term liabilities	15,187.4	-	-	-	15,187.4
Securities sold under repurchase agreements	629,964.7	-	-	-	629,964.7
Mortgage finance bonds	160,659.6	297,550.9	467,190.6	1,201,736.6	2,127,137.7
BONDS	15,373.8	33,251.5	36,324.3	178,856.9	263,806.5
BORROWINGS FROM CHILEAN CENTRAL BANK AND OTHER FINANCIAL INSTITUTIONS					
Central Bank borrowings credit lines for renegotiations of loans	50.7	96.2	150.9	388.2	686.0
Other Chilean Central Bank borrowings	85,297.6	575.9	904.4	2,326.3	89,104.2
Domestic borrowings	83,308.4	-	-	-	83,308.4
Foreign borrowings	145,421.0	-	-	-	145,421.0
Other borrowings	6,128.2	-	-	-	6,128.2
FINANCIAL DERIVATIVE CONTRACTS	91,910.9	10,405.1	4,215.7	277.6	106,809.3
Total in MCh\$	4,072,492.6	430,290.2	512,582.2	1,383,585.6	6,398,950.6
Equivalent in MUS\$	7,620.3	805.1	959.1	2,588.9	11,973.4

(*) Excludes all demand deposits, saving accounts and contingent liabilities.

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 14 - Foreign Currency Position

The balance sheet includes assets and liabilities that are denominated in foreign currencies or inflation index-liked unit of account. These amounts are summarized below:

	Payable in					
	Foreign Currency		Chilean pesos (*)		Total	
	2006 ThUS\$	2005 ThUS\$	2006 ThUS\$	2005 ThUS\$	2006 ThUS\$	2005 ThUS\$
ASSETS						
Liquid assets	1,188,988.4	1,038,821.5	-	-	1,188,988.4	1,038,821.5
Loans	841,448.1	567,492.5	20,239.7	33,963.1	861,687.8	601,455.6
Contingent loans	454,382.8	175,434.0	-	-	454,382.8	175,434.0
Investment instruments	258,430.7	1,121,378.5	50,752.1	62,059.4	309,182.8	1,183,437.9
Other assets	51,987.8	169,044.6	-	-	51,987.8	169,044.6
Total assets	2,795,237.8	3,072,171.1	70,991.8	96,022.5	2,866,229.6	3,168,193.6
LIABILITIES						
Time and demand deposits	1,634,624.1	1,804,786.8	-	-	1,634,624.1	1,804,786.8
Contingent liabilities	454,624.6	176,382.8	-	-	454,624.6	176,382.8
Liabilities with Chilean Central Bank	-	10,055.6	-	-	-	10,055.6
Liabilities with domestic banks	56,908.0	-	-	-	56,908.0	-
Obligations with foreign banks	201,092.2	276,988.0	-	-	201,092.2	276,988.0
Other liabilities	251,573.1	851,003.4	-	-	251,573.1	851,003.4
Total liabilities	2,598,822.0	3,119,216.6	-	-	2,598,822.0	3,119,216.6

* Corresponds to operations denominated in foreign currencies and payable in Chilean pesos or operations that are indexed to changes in the exchange rate.

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 15 - Contingencies, Commitments and Responsibilities

a) Contingencies, commitments and responsibilities recorded in memorandum accounts

The Bank had recorded the following memorandum accounts for commitments arising from its normal line of business:

	2006 MUS\$	2006 MCh\$	2005 MCh\$
Securities held in custody	1,290.2	689,501.4	483,938.0
Foreign credit lines	387.7	207,182.3	201,655.5
Loans approved but not disbursed	418.1	223,434.5	174,655.2
Local collection	45.7	24,441.5	19,201.8
Total	2,141.7	1,144,559.7	879,450.5

The above list includes only the major items. Contingent loans and liabilities are shown in the balance sheets.

b) Pending lawsuits

At December 31, 2006 and 2005, there are lawsuits against the Bank arising from the ordinary course of its business. During both years, the Bank has established an allowance based on the estimates made by its legal advisors. The allowance recorded at December 31, 2006 was Ch\$5,546.1 million (Ch\$ 9,432.2 million in 2005).

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 14 - Contingencies, Commitments and Responsibilities (continued)

c) Guarantees for operations

BancoEstado S.A. Corredores de Bolsa

In order to fulfill the obligation of guaranting its transactions, as established by Article No. 30 of Law 18,045, the Company contracted insurance policy No. 205102625, with Compañía de Seguros de Créditos Continental S.A. for U.F. 20,000 in force from April 22, 2006 to April 22, 2007. The Santiago Stock Exchange is the representative of the beneficiaries of this guarantee.

The Company also effected a lien on its shares in the Santiago Stock Exchange, to guarantee fulfillment of all its obligations with the stock exchange. In addition, it also effected a second lien in favor of its stockbrokers to guarantee its commitments with them.

Regarding Overall Insurance for brokers, Banco Estado has contracted policy N° 0020041977 with Interamericana Compañía de Seguros Generales S.A. bonding its employees for an insured amount of US\$1,000,000, in force from April 21, 2006 to April 21, 2007.

BancoEstado Corredores de Seguros S.A.

To comply with Article No. 58 of the Decree of Law No. 251 of 1931 and Circular No. 1,160 of the Superintendency of Securities and Insurances, BancoEstado Corredores de Seguros S.A. has contracted an insurance policy with Mapfre Seguros Generales S.A. for U.F. 500, which expires on April 14, 2007. Likewise, the Company maintains a policy to cover the professional civil liability of insurance brokers for U.F. 60,000 that expires on April 14, 2007.

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Nota 16 - Commissions

Income and expenses for commissions are stated in the Income Statement as follows:

	<u>Income</u>			<u>Expenses</u>		
	<u>2006</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2006</u>	<u>2005</u>
	MUS\$	MCh\$	MCh\$	MUS\$	MCh\$	MCh\$
Commissions earned or paid for:						
Collections of documents	37.5	20,025.3	18,706.0	-	-	-
Payment agreements and collections	21.9	11,710.8	-	-	-	-
Savings accounts	27.2	14,519.7	10,958.4	-	-	-
Insurance brokerage services	28.6	15,297.4	13,510.8	-	-	-
Current accounts	15.9	8,497.2	8,072.0	-	-	-
Pre-legal collection services	14.9	7,980.5	6,993.9	-	-	-
Commission for retail charges	-	-	9,865.0	-	-	-
Automated teller machine cards	4.6	2,457.4	2,516.6	-	-	-
Credit cards	5.0	2,649.5	1,852.8	3.6	1,917.1	1,939.0
Lines of credit	2.7	1,432.9	1,236.3	-	-	-
Foreign trade	1.9	1,014.0	708.2	-	-	-
Custody and trust commissions	2.1	1,115.2	546.7	-	-	-
Cashier's checks and fund transfers	0.5	288.1	256.7	-	-	-
Letters of credit, guarantors, deposits and other contingent operations	0.4	217.7	184.8	-	-	-
Compensatory rights for appraisals	0.1	30.2	29.7	-	-	-
Financial advisory	-	-	-	4.3	2,308.1	-
Others	31.8	17,019.4	12,445.3	6.7	3,595.6	5,006.8
Total	<u>195.1</u>	<u>104,255.3</u>	<u>87,883.2</u>	<u>14.6</u>	<u>7,820.8</u>	<u>6,945.8</u>

Commissions earned on mortgage note transactions are included in "Interest revenue" in the income statement.

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 16 – Other Operating Income and Expenses

Other operating income and expenses are stated in the Income Statement as follows:

a) Other operating income

	2006 MUS\$	2006 MCh\$	2005 MCh\$
Gain on sale from assets received in lieu of payment	0.2	131.7	2,592.5
New basic residence origination subsidy	1.3	694.8	1,425.4
Gain on sale from recovered assets	1.6	849.0	1,063.2
Recovery of loans written off on account of the Government	0.8	449.8	668.7
Reception of BAF/ INDAP subsidies	1.1	592.0	-
Others	1.6	876.2	5,160.1
Total	<u>6.7</u>	<u>3,593.5</u>	<u>10,909.9</u>

b) Other operating expenses

	2006 MUS\$	2006 MCh\$	2005 MCh\$
Adjustment for prior year collection or payment adjustments	1.8	953.7	-
Expenses for maintenance and/or operation of real estate received in lieu of payment	0.8	433.2	416.9
Others	1.0	529.1	517.2
Total	<u>3.6</u>	<u>1,916.0</u>	<u>934.1</u>

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 18 – Non-operating Income and Expenses

Non-operating income and expenses are stated in the Income Statement as follows:

a) Non operating income

	2006 MUS\$	2006 MCh\$	2005 MCh\$
Income on sale of assets received in lieu of payment	6.4	3,437.2	1,728.3
Recovery of other write-offs	-	19.1	622.4
Income from adjustment of payment or collection from previous years	2.1	1,107.1	601.0
Rental income	0.2	103.2	178.0
Income from the sale of fixed assets	0.8	418.5	322.1
Recovery of expenses	0.4	201.6	154.0
Others	3.1	1,653.2	611.4
Total	13.0	6,939.9	4,217.2

b) Non operating expenses

	2006 MUS\$	2006 MCh\$	2005 MCh\$
Provisions for outstanding lawsuits	(1.9)	(1,024.8)	5,328.0
Write-off of assets received in lieu of payment	10.3	5,524.3	3,773.7
Write-off of leased assets recovered	0.6	332.0	1,416.1
Other write-offs	0.1	26.8	1,359.5
Severance indemnities associated to extraordinary restructive plan	32.1	17,173.2	3,321.8
Loss on sale of fixed assets	-	-	31.0
Others	2.5	1,314.6	619.1
Total	43.7	23,346.1	15,849.2

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 19 - Income tax and deferred taxes

a) Income taxes

The provision for income tax was calculated in accordance with the Chilean Income Tax Law and reflects a liability of Ch\$60,676.3 million (Ch\$61,772,6 million in 2005). It is presented under "Other assets" net of monthly tax prepayments. The detail is as follows:

	2006 MUS\$	2006 MCh\$	2005 MCh\$
First Category Income Tax (17%)	36.3	19,426.8	19,881.4
Article No. 21 Single Tax	-	9.9	7.7
Article 2 Tax Decree Law No. 2.398 (40%)	77.1	41,202.9	41,883.5
Others	0.1	36.7	-
Total	<u>113.5</u>	<u>60,676.3</u>	<u>61,772.6</u>

b) Deferred taxes

Deferred income tax balances are as follows:

<u>Temporary Differences</u>	Balances at 31.12.2005 (historical) MCh\$	Change 2006 MCh\$	Balance 2006 MCh\$	Balance 2006 MUS\$
Assets				
Allowance for loan losses	40,087.6	7,875.4	47,963.0	89.7
Suspended accrual of interest	29,316.9	(150.8)	29,166.1	54.6
Other provisions	16,067.1	2,507.7	18,574.8	34.8
Marketable securities	31.3	352.5	383.8	0.7
Vacation provision	6,774.5	994.3	7,768.8	14.5
Others	4,211.6	700.1	4,911.7	9.2
Net Assets	<u>96,489.0</u>	<u>12,279.2</u>	<u>108,768.2</u>	<u>203.5</u>
Liabilities				
Lease contracts	(665.5)	4,098.7	3,433.2	6.4
Accelerated depreciation of fixed assets	263.9	28.9	292.8	0.6
Adjustment of financial investments to market	(3,033.9)	8,049.4	5,015.5	9.4
Others	7,582.3	762.7	8,345.0	15.6
Net liabilities	<u>4,146.8</u>	<u>12,939.7</u>	<u>17,086.5</u>	<u>32.0</u>

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 19 - Income tax and deferred taxes (continued)**c) Effect on results**

	2006 MUS\$	2006 MCh\$	2005 MCh\$
Income tax provision	(113.5)	(60,676.3)	(61,772.6)
Deferred tax effect for the year	(1.3)	(660.5)	5,268.3
Net charge to income	<u>(114.8)</u>	<u>(61,336.8)</u>	<u>(56,504.3)</u>

Note 20 - Demand and Time Deposits

Following is breakdown of demand and time deposits:

	2006 MUS\$	2006 MCh\$	2005 MCh\$
Demand deposits			
Current accounts	3,300.6	1,763,920.9	1,345,732.1
Other deposits	476.3	254,568.5	233,048.4
Time deposits			
Time deposits	5,557.0	2,969,837.2	2,931,397.2
Saving accounts	3,467.1	1,852,929.9	1,846,284.4
Total	<u>12,801.0</u>	<u>6,841,256.5</u>	<u>6,356,462.1</u>

Note 21 - Expenses and Remuneration of Directors

During 2006 and 2005, the Bank has charged to income the following amounts for concepts related to stipends paid to the members of the Board of Directors:

Concept	2006 MUS\$	2006 MCh\$	2005 MCh\$
Remuneration	0.2	118.3	111.2
Representation expenses	-	21.8	-
Travel allowance	0.1	32.4	65.4
Total	<u>0.3</u>	<u>172.5</u>	<u>176.6</u>

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 22 - Other Assets and Other Liabilities

“Other Assets” and “Other Liabilities” shown in the General Balance Sheet are detailed as follows:

a) Other assets

	2006 MUS\$	2006 MCh\$	2005 MCh\$
Deferred taxes receivable	207.3	110,796.6	98,515.3
Foreign currency purchased to be transferred	47.1	25,149.3	15,699.2
LBTR operations to be collected	52.0	27,775.9	99,385.4
Government receivable accounts	27.5	14,720.9	14,212.2
Leasing assets	39.2	20,963.0	9,838.7
Investments in software	12.2	6,537.0	5,744.3
Assets received in lieu of payment	6.2	3,312.4	3,570.4
Outstanding operations	5.4	2,865.3	-
Advanced expenses	15.5	8,278.4	3,594.7
Rights for term stock operations	7.8	4,170.6	637.3
Miscellaneous accounts	6.2	3,317.6	3,390.8
Commissions receivable	9.8	5,222.5	4,594.8
Negative goodwill related to purchase of mortgage finance	-	6.8	15.6
Other	39.7	21,226.1	16,974.4
Total	475.9	254,342.4	276,173.1

b) Other liabilities

	2006 MUS\$	2006 MCh\$	2005 MCh\$
Foreign currency sold to be transferred	69.4	37,111.7	123,093.9
LBTR operations to be paid	74.2	39,632.2	102,407.3
Income tax provision (net)	72.4	38,716.3	39,182.7
Other provisions	50.3	26,906.2	8,934.6
Deferred income taxes	32.0	17,086.5	4,233.9
Vacation provision	27.0	14,411.4	12,679.9
Contingencies	10.4	5,546.1	9,432.2
Outstanding operations	4.0	2,135.6	4,088.2
Balances with subsidiaries (net)	3.5	1,851.9	3,717.7
Other	14.7	7,881.1	4,692.4
Total	357.9	191,279.0	312,462.8

BANCO DEL ESTADO DE CHILE AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2006 and 2005

Note 23 - Subsequent events

- **Issuance of Bank Bonds**

In January 2007, Bank Bond Placement process was completed for the fourth issuance of bank bonds for U.F. 5,000,000, at an annual rate of 4.00% with a 5-year term with semi-annual payment of interest principal.

No subsequent events have occurred between December 31, 2006 and January 24, 2007 that could significantly affect the consolidated financial statements of Bank and its subsidiaries.

CARLOS MARTABIT SCAFF
Chief Financial Officer

JOSE MENA VALENCIA
Chief Executive Officer

MARCOS GAINZA ARAGONES
Accounting Manager

OSCAR GONZALEZ NARBONA
Planning and Research Manager